



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Mark Linder

SUBJECT: HNVF GRANTS CONTRACT
MANAGEMENT

DATE: May 24, 2007

Approved

Date

5/24/07

SUBJECT: CONTRACT MANAGEMENT UPDATE – HEALTHY NEIGHBORHOOD
VENTURE FUND (Neighborhood Services and Education Committee
5/10/07 – Item 4)

RECOMMENDATION

Accept the report on Healthy Neighborhoods Grants Contract Management and the HNVF transition to a Results Accountability Model beginning with the FY 08-09 grant cycle.

BACKGROUND

The City Council heard a staff report on Gaps Analysis for social service programs in San Jose at its May 2, 2006 Council meeting. The Council requested that the HNVF committee consider using a “San Jose BEST” approach to its grant allocation. At its May 10, 2007 meeting, the Neighborhood Services and Education Committee received a report indicating that the HNVF Committee was adopting this approach known as Results Based Accountability this coming fiscal year for implementation in the FY 08-09 grant cycle. The NSE committee felt this action should be cross-referenced to the full Council along with the information about HNVF contracts streamlining. The Committee report is attached.

MARK LINDER
Deputy City Manager

attachment



Memorandum

TO: NEIGHBORHOOD SERVICES
AND EDUCATION COMMITTEE

FROM: Albert Balagso

SUBJECT: CONTRACT MANAGEMENT
UPDATE—HEALTHY
NEIGHBORHOOD VENTURE FUND

DATE: April 25, 2007

Approved

Date

May 1, 2007

INFORMATION

On April 18, 2007, the Healthy Neighborhood Venture Fund (HNVF) Advisory Committee approved the 2007-2008 funding recommendations made by the Parks, Recreation and Neighborhood Services (PRNS) Department. Those recommendations will be forwarded to the City Council for inclusion in the final Adopted Budget.

In preparation for the 2007-08 funding cycle, PRNS has instituted important improvements to ensure that contracts with partner agencies are prepared by July 1, 2007, avoiding the large number of late contracts and payments that occurred earlier in 2006-07. This memorandum describes those improvements below.

On April 12, 2007, the Housing Department similarly reported improvements to the Community Development Block Grant (CDBG) contract management and application processes. For your reference, the Housing Department's memo for the April 12 presentation is attached.

ACCELERATED FUNDING RECOMMENDATIONS & CONTRACT NEGOTIATIONS

This year, PRNS recommended that the HNMF Advisory Committee accept staff's funding recommendations at its April meeting. This compares to prior year's processes in which funding recommendations were presented in April and approved in May. This change will accelerate the Manager's Budget Addendum through which the HNMF Advisory Committee's recommendations are forwarded to the City Council.

Also, PRNS staff began the contract negotiations process following the April 18, 2007 Administration Recommendation and Committee Working meeting. In prior years, contract negotiations typically began after the City Council's June adoption of the new fiscal year's budget.

These two efforts have already accelerated the contract negotiations process by two months compared to prior years. PRNS' goal is to prepare all new contracts for the agencies' review and

approval by July 1, 2007, contingent on the Council's approval of the HNVF Committee's funding recommendations.

STAFFING

Effective in 2006-07, the HNVF Committee and the City Council approved the addition of two Analysts to increase the capacity of the HNVF staff, which now totals seven employees. This staff increase will allow the team to handle more compressed deadlines, especially during the contract negotiations phase; increase the team's mid-contract monitoring capacity; and ensure the timeliness of mid-contract payments.

CHANGES FOR 2008-2009

Results-Based Accountability—As the City Council directed in the 2006-07 Adopted Budget, the HNVF Committee approved the migration to a results-based accountability (RBA) funding model (similar to the BEST funding model) for 2008-09. In this funding model, the HNVF Committee and staff will be matching pre-prioritized community needs with pre-qualified service providers. This change will contribute to timely contracts and payments in that the workload under this model can be spread more evenly throughout the funding year, and the required consultant/independent evaluator will assume aspects of the work now performed by staff.

Multi-Year Funding—Under the RBA model, contracts with service providers will be scheduled on rolling three-year cycles. Requests for qualifications (RFQ) and contract negotiations will occur on a certain three-year cycle for one category of programs and on a different three-year cycle for the second category of programs. This change will contribute to timely contracts and payments in that the workload for RFQs and contract negotiations will be spread over three years and shared with the consultant/independent evaluator.

CONCLUSION

PRNS will continue to evaluate the contract development and payment processes. The goal of the HNVF process is to streamline these processes and remove unnecessary practices to deliver a more efficient and responsive grant service.



ALBERT BALAGSO
Director of Parks, Recreation
and Neighborhood Services

SENT TO COUNCIL: MAR 09 2007by City Manager's Office
*Memorandum*TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Leslye Krutko

SUBJECT: CDBG FUNDING
RECOMMENDATIONS

DATE: March 9, 2007

Approved

Ray Wanda

Date

*3/9/07***INFORMATION**

Each year, the City of San Jose receives entitlement funding from the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant Program (CDBG) to carry out a wide range of community development activities that revitalize neighborhoods, provide economic development opportunities, improve community facilities, and offer public/ community services. For the 2007-08 Fiscal Year, the City anticipates the receipt of an estimated \$10.3 million in CDBG entitlement funding.

According to HUD requirements, no more than 20% of CDBG funds can be used for administrative costs, and no more than 15% can be used for "public services" activities. The remainder is devoted to community development activities. By policy, the City has reserved the entire public services funding pot for activities proposed by community-based organizations (CBOs). Additionally, the City has funded fair housing activities administered by CBOs out of the administrative cost category. Both City and CBO projects are funded out of the remaining community development funding.

Applications for FY 07-08 funding were submitted by CBOs in January. Award recommendations are being announced this week. The good news is that CDBG staff is recommending that 50 of the 58 applications submitted receive funding (or 86%). This memorandum provides background information on the process for making CDBG awards, as well as information about the staff recommendations.

Program Administration

Administration of the CDBG Program was transferred to the Housing Department in July of 2006. Since that time, a number of programmatic changes have been made to strengthen program administration and simplify the application process. These efforts will continue over the course of the next several months, and are being coordinated with efforts being made

throughout the City to strengthen grant management activities. An evaluation of the effectiveness of the changes made to date will take place this summer.

FY 07-08 Application Process

Following is a discussion of this year's funding process. As mentioned above, program staff will be evaluating the process this summer to make appropriate revisions in time for the FY 08-09 application process.

- **One Year Time Frame**—This year's application is for a one-year period. For construction projects, applicants needed to demonstrate that their projects can be completed within the one-year timeframe, ending June 30, 2008.

In prior years, projects were awarded CDBG funds for two- or three-year periods. While this method of funding has some advantages, it limits the flexibility of the program to respond to changes in community needs and provides limited opportunity for new applicants to participate in the program. Additionally, it has resulted in approval of some projects that are at very preliminary stages, and that have encountered problems resulting in long delays or project cancellation. This puts the City in a vulnerable position, as HUD requires that funds be spent within a certain timeframe.

- **Funding**—A number of projects funded over the past three years were cancelled in recent months. The funds that had been allocated for these projects have been rolled into the FY 07-08 application process. So, in addition to the \$10.3 million in anticipated CDBG entitlement funding, as well as \$1.6 million in program income (repayments of housing rehabilitation and economic development loans), there is approximately \$4 million in carry over funding available for award. The total available is estimated at \$15,913,709.

The amount available by activity is as follows:

- Administration (including Fair Housing and Planning Activities)-- \$2,382,742
 - Public Services--\$1,787,056
 - Revolving Loan Funds (rehabilitation and economic development)-- \$1,600,000
 - Community Development Activities-- \$10,143,911
- **Application Process for City Projects**— In prior years, City projects applied at the same time as CBOs, filling out the same application and following the same timeframe and application process. To streamline the process for both City Department applicants and CDBG staff reviewers, this year's process was changed so that City applications were not in direct competition with CBO applications.

To ensure that selection of City projects was objective and in line with City priorities, the following process was developed:

- Funding for City projects was projected at a level equal to the average of the past five years of CDBG expenditures for Community Development activities. That

five-year analysis revealed a CDBG expenditure breakdown of 40.25% for non-City projects and 59.75% for City projects. A goal was set to allocate FY 07-08 funds in the same ratio.

(Note: As it turns out, however, fewer eligible CBO project proposals were received than anticipated, and the percentage breakdown was not a factor. See discussion on CBOs below.)

- A City Project Selection Team (Team) was convened, comprised of the Directors of the following City Departments: Housing; Transportation; Public Works; Planning, Building and Code Enforcement; Parks, Recreation and Neighborhood Services; the Office of Economic Development; the Library; the SNI Program; the City Manager's Office; and the Redevelopment Agency.
 - The Team set the following priorities for funding based upon established City and CDBG priorities: projects that furthered the City's economic development efforts, and those that improved neighborhoods through the Strong Neighborhood Initiative or new Initiative areas
 - Each team member brought forward proposals for discussion and evaluation, and a list of recommended projects was developed.
 - Program managers for each project submitted project descriptions and budgets to the CDBG staff for determination of eligibility.
- Application Process for CBO Projects— The application process and the application itself were streamlined. A previously required public presentation on the project was eliminated.

A Notice of Funding Availability (NOFA) was published on December 7, 2006 for all CBO applications under either the public service or community development categories. Fifty-Eight (58) proposals were received. Proposals were reviewed in the following manner:

- Teams of two CDBG staff analysts reviewed and independently scored proposals according to a range of detailed criteria, which had been provided in advance to potential grantees.
- A separate team of CDBG staff reviewed program audits to determine whether there were organizational concerns that might impact the CBO's ability to carry out the project.
- Members of the Housing and Community Development Advisory Commission (HCDAC) formed a Task Force that reviewed CBO applications, rating them High, Medium, Low or Not Recommended.
- Subject-matter-experts reviewed the proposals for feasibility, reasonableness of costs, and past performance of applicants. This is especially important for construction projects, which must be evaluated to determine the feasibility of the project cost, scope and timeline.
- Lists of proposals were shared with other CDBG funding jurisdictions (County of Santa Clara; Cities of Sunnyvale, Milpitas, Santa Clara, Campbell, and Mountain View) to discuss duplication of service and past performance of applicant agencies, among other issues

- Lists of proposals were shared with other City funding programs, including the Healthy Neighborhood Venture Fund, Housing Trust Fund, and the Office of Economic Development to determine duplication of service and past performance of applicant agencies, among other issues.
- Housing Department senior management then reviewed the results of the various group analyses. When information from all sources aligned, the numeric rating of the CDBG teams was confirmed and used to rank the proposals. When information from some sources conflicted, the proposals were reviewed once more, more information was solicited, and a final ranking of the proposals was determined.

The goal of the Housing Department in reviewing these proposals was to fund as many eligible proposals as possible, given the amount of funding available and the constraints on the use of the funds imposed by HUD. However, there are some eligible proposals that will not be funded unless other funds become available.

Recommendations

The following discussion breaks down the recommendations for the 58 applications.

- Eligible Public Service Applications—All but one of the applications submitted by CBOs were deemed eligible for funding. Based on available funding, we are recommending:
 - 37 applications receive CDBG funding. For those activities that have been funded in past years, the recommendation is to fund at last year's level. All applications are being recommended at a minimum grant amount of \$25,000.
 - Three applications be funded by the Housing Trust Fund instead of CDBG. These were all new applicants for CDBG and proposed activities that align with City objectives and were otherwise eligible for funding under the Housing Trust Fund.
 - Four applications be in line for funding, should new CDBG funding become available over the course of the year.
- Fair Housing Applications—Both applications received for fair housing activities are being recommended for funding at last year's CDBG grant level.
- Community Development Applications—Ten of the 13 applications received under this category are recommended for funding. Two are not recommended, and one was deemed ineligible due to performance problems.

To summarize these recommendations, program staff is recommending approval of 50 (47 from CDBG and three from the Housing Trust Fund) of the 58 applications submitted by CBO agencies.

Next Steps

Announcements to applicants will be mailed on Friday, March 9, 2007. Applicants may appeal the decisions to the Director of Housing. The list of recommended projects will be presented to

HONORABLE MAYOR AND CITY COUNCIL
Subject: CDBG Funding Recommendations
March 9, 2007
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the HCDC at its meeting of March 15th, and will be presented to the City Council as part of the draft Consolidated Plan on April 3rd and May 8th.

A handwritten signature in black ink, appearing to read "Leslye Krutko". The signature is written in a cursive style with a large initial "L" and "K".

Leslye Krutko
Director of Housing

Attachments

Public Service Applications - Total Available

Agency*	Funding Request	Funding Recommendation
Fresh Lifelines for Youth	\$45,000	\$38,701
Fresh Lifelines for Youth	\$50,000	\$33,565
Community Technology Alliance	\$25,000	\$25,000
Senior Adults Legal Assistance	\$72,348	\$72,348
Outreach and Escort	\$60,000	\$40,048
Next Door Solutions to Domestic Violence	\$85,500	\$75,508
Loaves & Fishes Family Kitchen	\$28,696	\$25,000
Law Foundation of Silicon Valley	\$31,992	\$25,000
Emergency Housing Consortium	\$65,000	\$50,149
Catholic Charities of SCC	\$73,842	\$55,341
Ethiopian Community Services Inc.	\$40,000	\$30,290
Portuguese Org. for Social Svcs. & Oppr.	\$131,772	\$101,142
Bill Wilson Center	\$36,448	\$34,712
Santa Clara University	\$30,000	\$26,531
Second Harvest Food Bank	\$25,000	\$25,000
Live Oak Adult Day Svcs.	\$31,484	\$28,971
Innvision the Way Home	\$40,000	\$29,506
MACSA	\$112,514	\$112,513
MACSA	\$114,144	\$114,144
Catholic Charities	\$35,000	\$27,313
Innvision the Way Home	\$25,000	\$25,000
Next Door Solutions to Domestic Violence	\$45,000	\$32,193
MACSA	\$34,153	\$26,824
Innvision the Way Home	\$50,000	\$40,786
Sacred Heart Community Services	\$75,000	\$25,000
YWCA of Silicon Valley	\$150,000	\$131,420
Family Supportive Housing	\$30,000	\$28,889
Respite and Research	\$30,335	\$29,478
Health Trust	\$25,000	\$25,000
Vietnamese Voluntary Foundation (VIVO)	\$55,000	\$49,328
Silicon Valley Independent Living Center	\$25,079	\$25,000
Santa Clara County Asian Law Alliance	\$44,698	\$44,395
Catholic Charities	\$100,000	\$74,473
Legal Aid Society	\$150,000	\$112,863
Deaf Counseling Advocacy and Referral Agency (DCARA)	\$45,000	\$27,588
Vietnamese Voluntary Foundation.(VIVO)	\$35,000	\$25,000
Community Partners for Youth	\$275,000	\$93,000
Totals	\$2,328,005	\$1,787,019

*In order of proposal ranking

CDI and Administration**Administration, Planning and Fair Housing (Total Available)**

Administration- Housing Department	\$1,330,300
Administration- Finance Department	\$216,431
Administration- Planning	\$48,803
Planning - SNI	\$404,339
Public Works - ADA Survey	\$50,000
Project Sentinel- Fair Housing	\$228,550
Legal Aid - Fair Housing	\$101,394
Total	\$2,379,817

Funds Remaining For CDI **\$11,746,873**

CBO Applications for CDI Awards

Rebuilding Together Silicon Valley	\$95,000
San Jose Conservation Corps	\$225,241
Lenders for Community Development	\$204,000
Santa Clara Co. Black Chamber	\$76,726
Santa Clara Co. Black Chamber	\$96,503
San Jose Conservation Corps	\$275,000
InnVision	\$100,000
San Jose Conservation Corps	\$175,000
Total	\$1,247,470

City CDI

OED - Small Business Incubator	\$300,000
OED - Enterprise Zone Marketing Fund	\$100,000
OED - Shopping Center Improvement Pilot	\$300,000
OED - Small Business Revolving Loan Fund	\$1,000,000
DOT - Curb Cuts, SNI	\$550,000
DOT - Sidewalk rehabilitation, SNI	\$160,000
PW - Streetlight Upgrades	\$150,000
DOT - Traffic Signal, Burbank SNI	\$406,100
LIBRARY - Smart Start Program	\$271,210
HOUSING - Rehabilitation Program	\$2,500,000
PCBE - Code Enforcement	\$3,009,697
PRNS - Anti-Graffiti	\$653,785
PRNS - Lanti-Litter	\$166,023
HOUSING - Homeowner Energy Conservation	\$500,000
HOUSING - ADA Rehabilitation Projects	\$400,000
Total	\$10,466,815

Proposals Not Currently Scheduled For CDBG Funding in FY 2007-08

Public Service Applications

Agencies Recommended for Funding through Housing Trust Fund

Unity Care Group
Neighborhood Housing Services of Silicon Valley
S.C.C. Housing Authority, Family Self Sufficiency

Agencies whose ranking fell below funding cap. Will fund if future CDBG funds become available

Eastfield Ming Quong
Catholic Charities, Young Women's Empowerment
Alliance for Community Care
Support Network for Battered Women

Agencies not recommended for funding

Cupertino Community Services

Reason for Not Funding

Ineligible for CDBG. Funds requested were to replace former City funds for the same project.

Women's Initiative for Self Employment

Proposal rated low by all reviewers. Will recommend they review their program and apply again in future funding cycle.

CDI Applications

Agencies not recommended for funding

Yu-Ai Kai

Reason for Not Funding

Construction project could not be completed within recommended timeframe. Agency advised to reapply in next funding cycle

Economic and Social Opportunities (ESO)

Financial audits indicate growing deficits and significant problems related to accounting records and procedures. Significant difficulty with prior CDBG contracts in obtaining documentation supporting reimbursement requests. Other funding jurisdictions report similar difficulties and concerns.